Ramotshere Moiloa Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipality
Nature of business and principal activities	Provision of municipal services to communities within Zeerust, Lehurutshe and Groot Marico areas.
Mayor	Cllr P.K Mothoagae
Speaker	Cllr T.R Moiloa
Executive Council	Cllr B Mooketsi (Technical Services)
	Cllr A.N Nyamane (LED and Planning)
	Cllr M.F Rajan (Corporate Services and Finance)
	Cllr P.K Mothoagae (Chairperson)
	Cllr B Pheeloane
	Cllr M.N Tshikovhi
Councillors	Cllr K.I Manthoko
	Cllr B Kenosi
	Cllr S Rantwa
	Cllr B Monamodi
	Cllr D Moabi
	Cllr O Modirwa
	Cllr J Pule
	Cllr L Motsokwane
	Cllr U Morake
	Cllr R Mogorosi
	Cllr L Selebogo
	Cllr P Molefe
	Cllr N Molokwane
	Cllr P Madisa
	Cllr I Moloantoa
	Cllr L Mosadi
	Cllr J Mafora
	Cllr S Thembo
	Cllr T.J Morebantwa
	Cllr A.B Cassanga
	Cllr S.F Ngweye
	Cllr S.I Modibetsane
	Cllr C Dreyer
	Cllr I.S Suliman
	Cllr T.N Sapala
	Cllr M.N Motladile
	Cllr R.S.B Phetwe
	Cllr L Selebogo
	Cllr N.T Moroeng
	Cllr O.C Moiloa
	Cllr K Venter
Grading of local authority	3
Accounting Officer (Acting)	MI Matthews

General Information

Chief Finance Officer (Acting)	MK Kgokotli
Business address	C/o President & Coetzee Street Zeerust 2865
Postal address	P O Box 92 Zeerust 2865
Bankers	First National Bank
Auditors	Auditor General South Africa
Website	www.ramotshere.gov.za

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The reports and statements set out below comprise the annual financial statements presented to council and the provincial legislature:

Accounting Officer's Responsibilities and Approval

The accounting officer are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer have reviewed the entity's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements.

The annual financial statements set out on pages 5 to 56, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed by her:

MI Matthews
Accounting Officer

Accounting Officer's Report

The accounting officer submit their report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

The municipality main business is the provision of services to the community in line with Part B of Schedule 4 and Part B of Schedule 5 of the Constitution. The municipality provides services in Zeerust, Lehurutse and Groot Marico.

Net deficit of the entity is R 10 196 444 (2016: surplus R 39 279 642).

2. Going concern

The annual financial statements have been prepared on the going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

At year end there was a change in the accounting officer, Mr OA Monchusi resigned from office on the 14th of June 2017 and MI Matthews was appointed as acting municipal manager on the 13th of July 2017.

4. Accounting policies

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act 2003 (Act N0. 56 of 2003) (MFMA) and the Division of Act South Africa (Act No 2 of 2013) (DoRA).

The annual financial statements are prepared in accordance with the Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the entity during the year and to the date of this report are as follows:

L Phakalane	South African	01/02/2016 - 14 December 2016
OA Monchusi	South African	15/12/2016 -14 June 2017
MI Matthews	South African	13/07/2017 to date

Accounting Officer's Report

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Audit and risk committee

The Audit Committee has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Audit Committee, consisting of independent outside members, has met at least four times per annum as per its approved terms of reference, although additional special meetings were held.

The AC reviewed functionality of the performance management system and it appears to be functional, however there is a room for improvement in so far as achievement of planned targets is concerned and submission of portfolio of evidence timeously.

The AC is of the opinion that municipality’s risk management appears to be ineffective for the better of the year and material respect, and the municipality did implement a comprehensive risk management strategy and related policies.

7. Auditors

Auditor General South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2017

	Note(s)	2017 R	2016 Restated* R
Assets			
Current Assets			
Inventories	2	7 893 602	6 947 450
Other financial assets	3	2 111 750	2 103 401
Receivables from exchange transactions	4	670 313	895 947
Receivables from non-exchange transactions	5	6 765 865	7 204 253
Consumer debtors	6	48 056 254	44 519 125
Cash and cash equivalents	7	2 034 746	6 754 133
		67 532 530	**68 424 309**
Non-Current Assets			
Investment property	8	54 972 872	55 333 529
Property, plant and equipment	9	578 543 449	573 918 487
Intangible assets	10	144 700	144 700
Heritage assets	11	404 550	404 550
		634 065 571	**629 801 266**
Total Assets		**701 598 101**	**698 225 575**
Liabilities			
Current Liabilities			
Long- term liabilities	12	1 566 890	1 449 095
Finance lease obligation	13	2 807 788	-
Payables from exchange transactions	14	81 763 879	66 820 530
VAT payable	15	1 461 039	7 710 904
Consumer deposits	16	1 859 033	1 676 055
Employee benefit obligation	17	1 008 000	945 000
Unspent conditional grants and receipts	18	2 203 504	1 776 598
Provisions	19	586 505	480 846
		93 256 638	**80 859 028**
Non-Current Liabilities			
Long- term liabilities	12	3 718 455	4 697 098
Employee benefit obligation	17	42 118 000	39 349 000
Provisions	19	19 113 000	19 732 000
		64 949 455	**63 778 098**
Total Liabilities		**158 206 093**	**144 637 126**
Net Assets		**543 392 008**	**553 588 449**
Accumulated surplus		543 392 008	553 588 449

* See Note 39

Statement of Financial Performance

	Note(s)	2017 R	2016 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	20	67 985 005	64 607 103
Sale of Land		67 760	339 281
Rental of facilities and equipment	21	305 459	198 090
Licences and permits		2 778 840	3 531 767
Miscellaneous other revenue		1 692 097	1 984 839
Interest received - investment	22	613 420	1 229 217
Gain on disposal of assets and liabilities		-	1 579 606
Fair value adjustments		8 521	122 580
Total revenue from exchange transactions		**73 451 102**	**73 592 483**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	27 847 171	49 856 951
Transfer revenue			
Government grants & subsidies	24	168 002 587	206 904 159
Fines, Penalties and Forfeits		4 994 929	5 643 844
Total revenue from non-exchange transactions		**200 844 687**	**262 404 954**
Total revenue	25	**274 295 789**	**335 997 437**
Expenditure			
Bulk purchases	26	(42 860 444)	(39 747 467)
Contracted services	27	(6 495 783)	(6 120 652)
Debt Impairment	28	(4 854 706)	(4 555 567)
Depreciation and amortisation	29	(30 503 754)	(39 977 780)
Employee related costs	30	(122 181 919)	(115 283 796)
Finance costs	32	(7 334 313)	(5 822 279)
Lease rentals on operating lease		(639 090)	-
Remuneration of councillors	33	(11 228 485)	(11 553 113)
Impairment loss/ Reversal of impairments		(2 333 318)	-
Repairs and maintenance		(6 275 635)	(9 923 033)
Loss on disposal of assets and liabilities		(588 847)	-
General Expenses	31	(49 195 939)	(63 734 108)
Total expenditure		**(284 492 233)**	**(296 717 795)**
(Deficit) surplus for the year		**(10 196 444)**	**39 279 642**

* See Note 39

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	504 542 488	504 542 488
Adjustments		
Correction of errors	9 766 319	9 766 319
Balance at 01 July 2015 as restated*	**514 308 807**	**514 308 807**
Changes in net assets		
Surplus for the year	39 279 642	39 279 642
Total changes	39 279 642	39 279 642
Restated balance at 01 July 2016	**553 588 452**	**553 588 452**
Changes in net assets		
Surplus for the year	(10 196 444)	(10 196 444)
Total changes	(10 196 444)	(10 196 444)
Balance at 30 June 2017	**543 392 008**	**543 392 008**

Note(s)

* See Note 39

Cash Flow Statement

	Note(s)	2017 R	2016 Restated* R
Cash flows from operating activities			
Receipts			
Service charges & rates		95 832 176	82 007 841
Grants		152 524 988	181 820 839
Interest income		613 420	1 229 217
Other receipts		8 210 814	6 436 761
		257 181 398	271 494 658
Payments			
Employee costs		(122 181 919)	(129 626 004)
Suppliers		(97 369 559)	(90 825 926)
Finance costs		(7 334 313)	(5 822 279)
VAT payments		-	(1 912 496)
		(226 885 791)	(228 186 705)
Net cash flows from operating activities	35	**30 295 607**	**43 307 953**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(37 768 947)	(55 640 330)
Proceeds from sale of property, plant and equipment	9	3 614 800	1 579 606
Proceeds from sale of investment property	8	-	383 100
Net cash flows from investing activities		**(34 154 147)**	**(53 677 624)**
Cash flows from financing activities			
Repayment of long- term liabilities		(860 847)	(166 935)
Finance lease payments		-	(845 156)
Net cash flows from financing activities		**(860 847)**	**(1 012 091)**
Net increase/(decrease) in cash and cash equivalents		**(4 719 387)**	**(11 381 762)**
Cash and cash equivalents at the beginning of the year		6 754 133	18 135 895
Cash and cash equivalents at the end of the year	7	**2 034 746**	**6 754 133**

* See Note 39

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	73 291 550	5 575 641	**78 867 191**	67 985 005	**(10 882 186)**	46.1
Sale of land	-	-	**-**	67 760	**67 760**	
Rental of facilities and equipment	282 675	3 162	**285 837**	305 459	**19 622**	
Licences and permits	7 368 602	(1 667 562)	**5 701 040**	2 778 840	**(2 922 200)**	46.2
Miscellaneous other revenue	12 246 979	(6 534 699)	**5 712 280**	1 692 097	**(4 020 183)**	46.3
Interest received - investment	151 537	(48 807)	**102 730**	613 420	**510 690**	46.4
Total revenue from exchange transactions	**93 341 343**	**(2 672 265)**	**90 669 078**	**73 442 581**	**(17 226 497)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	24 699 676	5 234 468	**29 934 144**	27 847 171	**(2 086 973)**	46.5
Transfer revenue						
Government grants & subsidies	165 513 000	6 538 763	**172 051 763**	168 002 587	**(4 049 176)**	46.6
Fines, Penalties and Forfeits	8 457 183	(6 318 102)	**2 139 081**	4 994 929	**2 855 848**	46.7
Total revenue from non-exchange transactions	**198 669 859**	**5 455 129**	**204 124 988**	**200 844 687**	**(3 280 301)**	
Total revenue	**292 011 202**	**2 782 864**	**294 794 066**	**274 287 268**	**(20 506 798)**	
Expenditure						
Employee Related Costs	(116 377 002)	(5 502 839)	**(121 879 841)**	(122 181 919)	**(302 078)**	46.8
Remuneration of councillors	(15 495 108)	3 749 013	**(11 746 095)**	(11 228 485)	**517 610**	
Depreciation and amortisation	(40 000 000)	-	**(40 000 000)**	(30 503 754)	**9 496 246**	46.9
Impairment loss/ Reversal of impairments	-	-	**-**	(2 333 318)	**(2 333 318)**	
Finance costs	(1 284 984)	(770 271)	**(2 055 255)**	(7 334 313)	**(5 279 058)**	46.10
Lease rentals on operating lease	(698 250)	(102 418)	**(800 668)**	(639 090)	**161 578**	
Debt impairment	(17 103 288)	-	**(17 103 288)**	(4 854 706)	**12 248 582**	48.11
Repairs and maintenance (other materials)	(4 870 750)	(1 260 548)	**(6 131 298)**	(6 275 635)	**(144 337)**	
Bulk purchases	(54 327 581)	7 549 135	**(46 778 446)**	(42 860 444)	**3 918 002**	
Contracted Services	(7 467 801)	(9 290 683)	**(16 758 484)**	(6 495 783)	**10 262 701**	46.12
	-	-	**-**	-	**-**	
General Expenses	(35 613 228)	(8 462 332)	**(43 973 141)**	(49 195 939)	**(5 222 798)**	46.13
Total expenditure	**(293 237 992)**	**(14 090 943)**	**(307 226 516)**	**(283 903 386)**	**23 323 130**	
Operating deficit	**(1 226 790)**	**(11 308 079)**	**(12 534 869)**	**(9 616 118)**	**2 918 751**	
Loss on disposal of assets and liabilities	-	-	**-**	(588 847)	**(588 847)**	
Fair value adjustments	-	-	**-**	8 521	**8 521**	
	-	**-**	**-**	**(580 326)**	**(580 326)**	
Deficit before taxation	**(1 226 790)**	**(11 308 079)**	**(12 534 869)**	**(10 196 444)**	**2 338 425**	
Surplus/(Deficit)	**(1 226 790)**	**(11 308 079)**	**(12 534 869)**	**(10 196 444)**	**2 338 425**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

These estimates and underlying assumptions are reviewed on an going concern basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period of the revision and future periods if the revision affects both the current and future periods. The nature and reasons of the uncertainty, judgement made and the impact to the amounts presented in the financial statements are disclosed on the notes to the financial statements.

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Allowance for slow moving, damaged and obsolete inventory

The municipality assesses an allowance for inventory to write inventory down to the lower of cost or net realisable value. The write down is recognised in surplus or deficit.

Impairment testing

The recoverable amounts of cash and non-cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values of assets

The entity's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The municipality reviews residual values of assets to determine if there is a change in the amount that the municipality would obtain from disposal of the asset, after deducting the estimated costs of disposal, if that asset was already of the age and condition expected at the end of its useful life.

Post retirement benefits

The present value of the post employment medical benefits are determined using actuarial valuations. The acturial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

1.3 Investment property

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	30 years

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Accounting Policies

1.4 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Depreciation method**	**Average useful life**
Land	Straight line	Indefinite
Buildings	Straight line	20 - 100 years
Plant and machinery	Straight line	3 - 10 years
Furniture and fixtures	Straight line	3 - 10 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	3 - 10 years
Computer equipment	Straight line	3 - 10 years
Infrastructure	Straight line	20 - 100 years
Community	Straight line	20 - 100 years
Other property, plant and equipment	Straight line	3 - 10 years
Roads & Stormwater Assets	Straight line	20 - 100 years
Electricity assets	Straight line	20 - 100 years
Other assets	Straight line	3 - 10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

1.4 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Site restoration and dismantling cost

The entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Accounting Policies

1.6 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software	3 years

1.7 Heritage assets

Assets are resources controlled by the entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The entity assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Transitional provision

The entity changed its accounting policy for heritage assets in 2017. The change in accounting policy was made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

1.8 Interest in joint venture

An interest in a joint venture is carried in accordance with the Standard of GRAP on Financial instruments.

The entity applies the same accounting for each category of investment.

Surpluses and deficits resulting from contributions or sale of assets to joint ventures are only recognised to the extent of other venturers' interests in the joint venture.

The entity's share of surpluses or deficits, resulting from purchase of assets from joint ventures are recognised only when the assets are resold to an independent party.

In respect of its interest in jointly controlled assets, the entity recognises in its annual financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

The entity recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Cash and cash equivalents

These are initially and subsequently recorded at fair value. For cash flow purposes, cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. These are subject to an insignificant risk of changes in value.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Impairment loss is recognised against an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed against allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.9 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

The municipality leases certain property, plant and equipment. Leases of property, plant and equipment where the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over their shorter of the useful life of the asset and the lease term. The municipality will not incur a foreign currency lease liability other than that allowed by the MFMA Act (Act 56 of 2003).

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at weighted average cost, except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to the Valuation Roll or total cost of servicing the land such as direct costs and portion of overhead costs that relates to the development.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the entity; or

1.12 Impairment of cash-generating assets (continued)

(b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

The municipality and its employees contribute to various pension, provident and retirement funds and its Councillors contribute to the Pension Fund for Municipal Councillors. The retirement benefit are calculated in accordnance with the rules of the funds. Full acturial valuations are performed by the relevant funds on a regular basis as per the requirements of the various funds. Current contributions are recognised in surplus or deficit in the period in which the service is rendered by the relavant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Accounting Policies

1.15 Employee benefits (continued)

Defined benefit plans

The municipality provides certain post retirement medical benefits by funding the medical aid contributions for retired members of the municipality. According to the rules of the medical aid fund associated with the municipality, when a member who joined the municipality under the current conditions of service retires, she/he is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. These funds are classified as defined benefit plans. The cost of providing the benefits is determined using the projected unit credit method presrcibed by IAS 19. Future benefit values are projected using specific assumptions, and the liability for in service members is accrued over the expected lifetime. No plan assets exist and any acturial gains or losses are recognised immediately.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Current Service Costs and Interest Costs are recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The current service costs include the expense for the benefits received by the employee currently in service and the cost of funding the employee when no longer in service. The expense for the year is included in the employee benefit expense in the statement of financial performance.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other long term employee benefits

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value.

1.16 Provisions and contingencies

Provisions are recognised when:
- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

1.16 Provisions and contingencies (continued)

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Illegal Dumping: The municipality has an obligation to rehabilitate any contaminated land through illegal dumping. A provision has been established and recognised at the present value of the expenditure expected to settle the obligation and is carried at amortised cost.

Landfill sites: The municipality has an obligation to rehabilitate its landfill sites in terms of its licencing stipulations. A provision has been established from 2008/9. The amount of the provision is recognised at the present value of the expenditure expected to settle the obligations and is carried at amortised cost.

1.17 Revenue from exchange transactions

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.17 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimated consumptions are made monthly when meters have not been read. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

Income from agency services: Income from agency services is recognised on a monthly basis once the income collected/received on behalf of agents has been quantified. The income is recognised in terms of the agency agreement.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity’s right to receive payment has been established.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Unconditional grants and receipts

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available, which in most cases is on receipt

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.19 Value Added Tax

The municipality accounts for Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate of 14% in terms of section 7(1)(a) of the VAT Act in respect of supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.20 Pre-paid electricity

Revenue from the sale of electricity using pre-paid meter cards is recognised based on consumption.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

1.23 Comparative figures

When the presentation or classification of items in the financial statements is ammended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification is disclosed

Where accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

1.24 Unauthorised expenditure

Unauthorised expenditure means:

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the Municipal Systems Act, (Act No. 32 of 2000), Public Office Bearers Act (Act No. 20 of 1998) or any regulations made in terms of these Acts; or; or
(c) the municipality's Supply Chain Management Policies or any provincial legislation/guidelines providing for procurement procedures in the municipalities.

Irregular expenditure is accounted for as an expense in the statement of financial performance in the period it occured and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Accounting Policies

1.27 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.29 Budget information

Variance between budget and actual are regarded as material when there is a variance of:

- 10% in the statement of financial position, statement of financial performance and the cash flow statement
- 5% in capital expenditure.

All material differences are explained in the notes to the annual financial statements.

1.30 Services in kind

The municipality does not recognise services in kind as revenue or assets, but are disclosed as a note to the annual financial statements.

	R	R

2. Inventories

Consumable stores	7 893 602	6 947 450

3. Other financial assets

Designated at fair value		
Listed Fund -Sanlam	2 111 750	2 103 401
Current assets		
Designated at fair value	2 111 750	2 103 401

4. Receivables from exchange transactions

Third Party Vendors	670 313	895 947

Third Party Vendors

The municipality introduced a new system in the current year whereby customers can purchase electricity through third party vendors, the money from the customers is received by Conlog whom in turn pay over to the municipality.

5. Receivables from non-exchange transactions

Fines	555 031	1 132 437
Rental Debtors	44 721	36 721
Sundry debtors	2 052 514	2 415 496
Sale of land debtors	4 113 599	3 619 599
	6 765 865	**7 204 253**

6. Consumer debtors

Gross balances		
Rates	34 003 221	81 286 110
Electricity	26 964 720	10 024 349
Water and Sanitation	62 229 846	34 561 189
Refuse and Other	9 746 861	3 535 871
	132 944 648	**129 407 519**
Less: Allowance for impairment		
Electricity	(23 315 312)	(23 315 312)
Water and Sanitation	(48 268 207)	(48 268 207)
Refuse & Other	(13 304 875)	(13 304 875)
	(84 888 394)	**(84 888 394)**
Net balance		
Rates	34 003 221	81 286 110
Electricity	3 649 408	(13 290 963)
Water and Sanitation	13 961 639	(13 707 018)
Refuse and Other	(3 558 014)	(9 769 004)
	48 056 254	**44 519 125**

Notes to the Annual Financial Statements

	2017 R	2016 R

6. Consumer debtors (continued)

Rates		
Current (0 -30 days)	3 222 807	774 858
31 - 60 days	847 600	1 400 350
61 - 90 days	796 958	2 130 000
91 - 120 days	763 452	2 800 000
121 - 365 days	5 106 876	8 500 000
> 365 days	23 265 528	65 680 902
	34 003 221	**81 286 110**
Electricity		
Current (0 -30 days)	-	-
31 - 60 days	675 564	-
61 - 90 days	645 517	-
91 - 120 days	547 747	-
121 - 365 days	1 780 580	6 709 037
	3 649 408	**6 709 037**
Water and Sanitation		
Current (0 -30 days)	1 799 379	-
31 - 60 days	506 831	-
61 - 90 days	487 751	-
91 - 120 days	659 862	-
121 - 365 days	4 047 526	3 682 167
	7 501 349	**3 682 167**
Refuse and other		
Current (0 -30 days)	-	98 127
31 - 60 days	510 583	-
61 - 90 days	495 222	-
91 - 120 days	483 803	-
121 - 365 days	1 061 759	5 379 022
	2 551 367	**5 477 149**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(84 888 394)	(84 888 394)

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	375 672	423 063
Bank balances	1 188 548	4 234 317
Short-term deposits	470 526	2 096 753
	2 034 746	**6 754 133**

7. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances 30 June 2017	Bank statement balances 30 June 2016	Bank statement balances 30 June 2015	Cash book balances 30 June 2017	Cash book balances 30 June 2016	Cash book balances 30 June 2015
FNB - cheque account 62063144431	844 744	1 711 983	3 055 996	844 744	1 711 983	3 055 996
FNB - cheque account 54351140693	56 452	373 795	868 176	56 452	373 795	868 176
FNB - cheque account 62200495960	90 443	154 020	104 089	90 443	154 020	104 089
FNB - cheque account 62224998023	196 909	1 994 519	577 117	196 909	1 994 519	577 117
Total	**1 188 548**	**4 234 317**	**4 605 378**	**1 188 548**	**4 234 317**	**4 605 378**

8. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	57 211 685	(2 238 813)	54 972 872	57 488 459	(2 154 930)	55 333 529

Reconciliation of investment property - 2017

	Opening balance	Disposals	Depreciation	Total
Investment property	55 333 529	(276 775)	(83 882)	54 972 872

Reconciliation of investment property - 2016

	Opening balance	Disposals	Depreciation	Total
Investment property	55 800 511	(383 100)	(83 882)	55 333 529

The municipality entered into a joint arrangement with ABSA Bank for the construction of a building for leasing purposes. The terms of the arrangement were as follows:
- The municipality contributed a piece of land, which was valued at R700,000 whilst ABSA contributed R6 300 000 for the construction of building.
- The municipality's contribution was deemed to be worth 10% and ABSA 90%.
- On completion of the building, ABSA occupied the building and leased additional rental space.
- Building operating costs are deducted from the rental income.
- ABSA is responsible for management of the building and in return compensated with 5% of rental income plus a management fee which will be agreed between the parties.
- The residue is shared in terms of the venturers' contribution

In terms of GRAP 8 (Interest in Joint Ventures), the municipality's component/share of the building was recognised as Investment property. The nature of this jointly controlled asset is investment property as it is leased to tenants and the municipality earns rentals from it.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

	2017 R	2016 R

9. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17 356 150	-	17 356 150	17 356 150	-	17 356 150
Buildings	67 555 049	(45 376 011)	22 179 038	67 555 049	(39 442 702)	28 112 347
Plant and machinery	881 555	(686 405)	195 150	881 555	(621 512)	260 043
Furniture and fixtures	475 779	(340 990)	134 789	475 779	(293 939)	181 840
Motor vehicles	12 652 677	(8 482 387)	4 170 290	12 779 557	(7 085 296)	5 694 261
Office equipment	334 941	(208 407)	126 534	312 881	(150 110)	162 771
Computer equipment	2 782 514	(865 863)	1 916 650	1 553 177	(544 999)	1 008 178
Community	109 740 491	(61 547 341)	48 193 151	109 211 991	(57 262 130)	51 949 862
Servitudes/road reserves	13 011 798	-	13 011 798	13 011 798	-	13 011 798
Work in progress	46 435 657	426 256	46 861 913	28 005 732	-	28 005 732
Landfill site	12 488 000	(2 840 921)	9 647 079	12 488 000	(2 840 921)	9 647 079
Roads & Stormwater Assets	620 932 278	(253 213 635)	367 718 643	608 507 970	(236 502 024)	372 005 946
Electricity assets	71 881 283	(28 986 279)	42 895 003	71 881 283	(27 085 913)	44 795 371
Wastewater network	2 184	-	2 184	2 184	-	2 184
Finance Leased Assets	2 823 539	(411 766)	2 411 773	-	-	-
Other assets	5 311 861	(3 588 558)	1 723 304	4 897 777	(3 172 852)	1 724 925
Total	**984 665 756**	**(406 122 307)**	**578 543 449**	**948 920 883**	**(375 002 398)**	**573 918 487**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	17 356 150	-	-	-	-	-	17 356 150
Buildings	28 112 347	-	-	-	-	(5 933 309)	22 179 038
Plant and machinery	260 043	-	-	-	(64 893)	-	195 150
Furniture and fixtures	181 840	-	-	-	(47 051)	-	134 789
Motor vehicles	5 694 261	-	(17 055)	-	(1 506 916)	-	4 170 290
Office equipment	162 771	22 060	-	-	(58 297)	-	126 534
Computer equipment	1 008 178	1 247 309	(7 409)	-	(331 429)	-	1 916 649
Community	51 949 862	-	-	528 500	(4 285 211)	-	48 193 151
Servitudes/road reserve	13 011 798	-	-	-	-	-	13 011 798
Work in progress	28 005 732	34 087 805	-	(15 231 624)	-	-	46 861 913
Landfill site	9 647 079	-	-	-	-	-	9 647 079
Roads & Stormwater Assets	372 005 946	-	(2 278 816)	14 703 124	(16 711 611)	-	367 718 643
Electricity assets	44 795 371	-	(1 900 367)	-	-	-	42 895 004
Wastewater network	2 184	-	-	-	-	-	2 184
Finance Leased Assets	-	2 411 773	-	-	-	-	2 411 773
Other assets	1 724 925	-	-	-	(1 621)	-	1 723 304
	573 918 487	**37 768 947**	**(4 203 647)**	**-**	**(23 007 029)**	**(5 933 309)**	**578 543 449**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Transfers	Adjustments	Depreciation	Total
Land	16 882 765	473 385	-	-	-	17 356 150
Buildings	32 175 354	-	-	9 692	(4 072 699)	28 112 347
Plant and machinery	393 987	6 931	-	-	(140 875)	260 043
Furniture and fixtures	219 691	35 449	-	-	(73 300)	181 840
Motor vehicles	6 399 250	1 685 975	-	(455 139)	(1 935 825)	5 694 261
Office equipment	160 535	50 914	-	-	(48 678)	162 771
Computer equipment	563 845	634 749	-	(15 161)	(175 255)	1 008 178
Community	49 782 726	-	7 354 047	506 227	(5 693 138)	51 949 862
Servitudes/road reserve	13 011 798	-	-	-	-	13 011 798
Work in progress	35 931 966	52 752 927	(63 571 312)	2 892 151	-	28 005 732
Landfill site	10 993 210	-	-	-	(1 346 131)	9 647 079
Roads & Stormwater Assets	355 820 378	-	39 425 420	20 244	(23 260 096)	372 005 946
Electricity assets	29 916 052	-	16 791 845	-	(1 912 526)	44 795 371
Wastewater network	2 184	-	-	-	-	2 184
Finance Leased Assets	682 787	-	-	(682 787)	-	-
Other assets	2 352 934	-	-	-	(628 009)	1 724 925
	555 289 462	**55 640 330**	**-**	**2 275 227**	**(39 286 532)**	**573 918 487**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

Notes to the Annual Financial Statements

	2017 R	2016 R

10. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	144 700	-	144 700	144 700	-	144 700

Reconciliation of intangible assets - 2017

	Opening balance	Total
Computer software	144 700	144 700

Reconciliation of intangible assets - 2016

	Opening balance	Adjustments	Total
Computer software	3 469 559	(3 324 859)	144 700

	2017 R	2016 R

11. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other	404 550	-	404 550	404 550	-	404 550

12. Long-term liabilities

	2017 R	2016 R
At amortised cost		
DBSA Loan 100121/3	901 992	1 681 454
The loan has a fixed interest rate of 15.15% per annum and is repayable in 30 equal half-yearly instalments. The loan period is 15 years and redemption date is 30 June 2019		
DBSA Loan 102400/1	1 949 886	2 086 346
The loan has fixed interest rate of 5% per annum and is repayable in 40 equal instalments. The loan period is 20 years expiring in 30 September 2028		
DBSA Loan 100702/1	866 577	929 298
The loan has a fixed interest rate of 11.73% per annum and is repayable in 40 equal half-yearly instalments. The loan period is 20 years and redemption date is 30 June 2026		
Short term portion of long term loans	1 566 890	1 449 095
	5 285 345	**6 146 193**
Total other financial liabilities	**5 285 345**	**6 146 193**
Non-current liabilities		
At amortised cost	3 718 455	4 697 098
Current liabilities		
At amortised cost	1 566 890	1 449 095

13. Finance lease obligation

	2017 R	2016 R
Minimum lease payments due		
- within one year	1 250 891	-
- in second to fifth year inclusive	1 954 518	-
	3 205 409	-
less: future finance charges	(397 621)	-
Present value of minimum lease payments	**2 807 788**	**-**
Present value of minimum lease payments due		
- within one year	1 009 652	-
- in second to fifth year inclusive	1 798 136	-
	2 807 788	**-**

	2017 R	2016 R

14. Payables from exchange transactions

	2017 R	2016 R
Trade payables	51 361 234	43 037 211
Payments received in advanced	501 708	314 624
Accrued leave pay	11 477 727	8 493 152
13th Cheque	3 000 790	2 681 991
Payroll Clearing	81 437	11 926
Other Payables	6 741 601	5 131 402
Retentions	5 105 684	4 287 889
Consumer debtors unknown	3 493 698	2 862 335
	81 763 879	**66 820 530**

15. VAT payable

	2017 R	2016 R
Net balance	1 461 039	7 710 904

The municipality is registered for VAT on a payment basis.

16. Consumer deposits

	2017 R	2016 R
Electricity	1 268 359	1 257 631
Water	590 674	418 424
	1 859 033	**1 676 055**

17. Employee benefit obligations

Defined contribution plan

The municipality has a policy to subsidise post-employment health care costs of employees that belonged to medical scheme on their retirement. The subsidy covers the employee as well as the spouse or dependent.

The amounts recognised in the statement of financial position are as follows:

	2017 R	2016 R
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	43 126 000	40 294 000
Non-current liabilities	(42 118 000)	(39 349 000)
Current liabilities	(1 008 000)	(945 000)
	(43 126 000)	**(40 294 000)**

The municipality has no further obligation to cover unfunded benefits.

Net expense recognised in the statement of financial performance

	2017 R	2016 R
Current service cost	2 682 000	2 374 000
Interest cost	3 986 000	3 410 000
Actuarial (gains) losses	(3 092 000)	(183 000)
Settlement	(744 000)	(782 000)
	2 832 000	**4 819 000**

Notes to the Annual Financial Statements

	2017 R	2016 R

17. Employee benefit obligations (continued)

Valuation method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Post-employment Medical Aid Liabilities

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

Valuation of Assets

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2017 R	2016 R
Unspent conditional grants and receipts		
Library Grant	500 000	500 000
LGSETA	297 578	-
INEP	567 970	-
Local Government	837 956	1 276 598
	2 203 504	**1 776 598**

See note 24 for reconciliation of grants from National/Provincial Government.

	2017 R	2016 R

19. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	13 790 000	-	(988 000)	12 802 000
Performance Bonus	480 846	309 885	(204 226)	586 505
Long service award	5 942 000	1 278 000	(909 000)	6 311 000
	20 212 846	**1 587 885**	**(2 101 226)**	**19 699 505**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	12 488 000	1 302 000	-	13 790 000
Performance bonus	953 419	-	(472 573)	480 846
Long service award	4 588 000	1 735 000	(381 000)	5 942 000
	18 029 419	**3 037 000**	**(853 573)**	**20 212 846**

	2017	2016
Non-current liabilities	19 113 000	19 732 000
Current liabilities	586 505	480 846
	19 699 505	**20 212 846**

Environmental rehabilitation provision

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act, 28 of 2002). The provision was determined by an independent expert as at 30 June 2017 and approximates the discounted expected future cash flows using reasonable estimation techniques.

During the current year, licences for the illegal dumpsites were obtained. The current liability raised as a provision has therefore been moved to non-current as the municipality will rehabilitate the sites when the landfill sites are full.

Long service award

In addition to normal leave an employee shall qualify for the following additional leave as recognition for service at the same employer, which shall be paid out respectively once only the date on which the various periods of continues service have been completed, as follows.

After 10 years service - 10 working days
After 15 years service - 20 working days
After 20 years service - 30 working days
After 25 years service - 30 working days
After 30 years service - 30 working days
After 35 years service - 30 working days
After 40 years service - 30 working days
After 45 years service - 30 working days.

An employee may choose to either utilise the leave for holiday purposes or en-cash leave within 12 months.

The two most important financial variables used in our valuation are the discount rate and salary inflation. An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events.

Discount rate

	2017 R	2016 R

19. Provisions (continued)

IAS19 defines the determination of the Discount rate assumption to be used as the rate that can “be determined by reference to market yields at the balance sheet* date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet* date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations.”reimbursement.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

20. Service charges

	2017 R	2016 R
Sale of electricity	51 738 832	48 908 395
Sale of water	7 328 865	7 718 037
Sewerage and sanitation charges	2 192 002	2 106 082
Refuse removal	6 725 306	5 874 589
	67 985 005	**64 607 103**

21. Rental of facilities and equipment

	2017 R	2016 R
Premises		
Rental of facilities and equipment	305 459	198 090
	305 459	**198 090**

22. Investment revenue

	2017 R	2016 R
Interest revenue		
Bank	613 420	1 229 217

Notes to the Annual Financial Statements

	2017 R	2016 R

23. Property rates

Rates received

Residential	9 216 403	11 510 076
Commercial	10 002 819	8 878 504
State	1 661 418	21 684 364
Agriculture	6 966 531	7 784 007
	27 847 171	**49 856 951**

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2014. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0.01500 c/R (2016: 0.01500 c/R)

Business/Industrial Properties: 0.03000 c/R (2016: 0.02500 c/R)

State Owned Properties: 0.00375 c/R (2016: 0.01500 c/R)

Agricultural properties: 0.00375 c/R (2016: 0.00300 c/R)

Public Service Insfrastructure properties: 0.00375 c/R (2016: 0.00300 c/R)

Rebates:

Agricultural properties: 65% (2016:50%)

Agricultural Properties - Special category: 10% (2016:10%)

Public service infrastructure : 30% (2016:0%)

Retired and disabled persons on residential properties:

Owner with income less than R5 000 per month(excluding indigents) -50% (2016:50%)

Owner with income less than between R5 001 and R10 000 per month:40% (2016:40%)

Reductions:

Municipal Property Rates Act 2004 -first R15 000 on market value of residential and agricultural is exempted.

A 10% discount on full settlement of rates before 30 September each year for residential, business and industrial.

	2017 R	2016 R

24. Government grants and subsidies

	2017 R	2016 R
Operating grants		
Equitable share	126 139 000	127 415 000
Municipal Systems Improvement Grant	-	930 000
Library Grants	1 000 000	500 000
Financial Management Grant	1 810 000	1 675 000
LG Seta	618 915	6 422 763
EPWP Grant	1 104 000	1 286 000
NDPG	-	598
Water grant	-	3 300 000
	130 671 915	141 529 361
Capital grants		
MIG	35 460 000	44 820 728
NDPG	-	323 708
INEP	1 432 030	16 506 960
Local Government Grant	438 642	3 723 402
	37 330 672	65 374 798
	168 002 587	**206 904 159**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant (MIG)

	2017 R	2016 R
Balance unspent at beginning of year	-	18 805 728
Current-year receipts	35 460 000	28 182 000
Conditions met - transferred to revenue	(35 460 000)	(44 820 728)
Other	-	(2 167 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Municipal Systems Improvement Grant

	2017 R	2016 R
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	-

Financial Management Grant

	2017 R	2016 R
Current-year receipts	1 810 000	1 675 000
Conditions met - transferred to revenue	(1 810 000)	(1 675 000)
	-	-

Library Grant

	2017 R	2016 R
Balance unspent at beginning of year	500 000	-
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(500 000)
	500 000	**500 000**

Conditions still to be met - remain liabilities (see note 18).

Notes to the Annual Financial Statements

	2017 R	2016 R

24. Government grants and subsidies (continued)

EPWP

Current-year receipts	1 104 000	1 286 000
Conditions met - transferred to revenue	(1 104 000)	(1 286 000)
	-	-

LGSETA

Balance unspent at beginning of year	-	1 547 230
Current-year receipts	916 493	4 875 533
Conditions met - transferred to revenue	(618 915)	(6 422 763)
	297 578	**-**

Conditions still to be met - remain liabilities (see note 18).

INEP

Balance unspent at beginning of year	-	1 506 960
Current-year receipts	2 000 000	15 000 000
Conditions met - transferred to revenue	(1 432 030)	(16 506 960)
	567 970	**-**

Conditions still to be met - remain liabilities (see note 18).

Local Government

Balance unspent at beginning of year	1 276 598	5 000 000
Conditions met - transferred to revenue	(438 642)	(3 723 402)
	837 956	**1 276 598**

Conditions still to be met - remain liabilities (see note 18).

25. Revenue

Sale of land	67 760	339 281
Service charges	67 985 005	64 607 103
Rental of facilities and equipment	305 459	198 090
Licences and permits	2 778 840	3 531 767
Miscellaneous other revenue	1 692 097	1 984 839
Interest received - investment	613 420	1 229 217
Property rates	27 847 171	49 856 951
Government grants & subsidies	168 002 587	206 904 159
Fines, penalties and forfeits	4 994 929	5 643 844
	274 287 268	**334 295 251**

	2017 R	2016 R

25. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	67 985 005	64 607 103
Rendering of services	67 760	339 281
Rental of facilities and equipment	305 459	198 090
Licences and permits	2 778 840	3 531 767
Miscellaneous other revenue	1 692 097	1 984 839
Interest received - investment	613 420	1 229 217
	73 442 581	**71 890 297**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	27 847 171	49 856 951
Transfer revenue		
Government grants & subsidies	168 002 587	206 904 159
Fines, penalties and forfeits	4 994 929	5 643 844
	200 844 687	**262 404 954**

26. Bulk purchases

Electricity	42 860 444	39 747 467

27. Contracted services

Lift maintenance	14 188	-
Security services	6 481 595	6 120 652
	6 495 783	**6 120 652**

28. Debt impairment

Contributions to debt impairment provision	4 854 706	4 555 567

29. Depreciation and amortisation

Property, plant and equipment	30 419 871	39 893 896
Investment property	83 884	83 884
	30 503 755	**39 977 780**

	2017 R	2016 R

30. Employee related costs

Basic	71 704 516	67 152 819
13th Cheque	5 467 226	4 884 725
Medical aid - company contributions	8 335 192	7 538 617
UIF	615 627	606 929
SDL	955 152	915 239
Leave pay provision charge	2 984 575	1 099 516
Pension Fund Contributions	14 103 997	12 551 885
Travel, motor car, accommodation, subsistence and other allowances	4 547 947	4 409 816
Overtime payments	7 472 289	5 932 985
Long-service awards	821 629	1 239 624
Acting allowances	2 089 774	2 195 550
Entertainment allowance	216 974	315 085
Housing benefits and allowances	769 550	1 009 100
Increase in performance bonus provision	309 886	-
Cellphone Allowance	318 205	388 148
Bargaining Council	33 032	33 067
Leave Payout	872 661	1 021 133
Standby Allowance	1 246 713	1 254 903
Bonus provision	469 569	231 074
Post retirement medical benefit	(1 154 000)	1 409 000
Termination benefits	1 405	1 094 580
	122 181 919	**115 283 795**

Remuneration of Municipal Manager

Annual Remuneration	-	569 683
Car Allowance	-	56 000
Contributions to UIF, Medical and Pension Funds	-	1 091
Lumpsum	-	916 393
SDL & Bargain Council	-	6 145
	-	**1 549 312**

The Municipal Manager resigned in March 2016

Notes to the Annual Financial Statements

	2017 R	2016 R

30. Employee related costs (continued)

Remuneration of Director Technical Services

Annual Remuneration	983 058	877 730
Car Allowance	-	18 000
Performance Bonuses	204 227	-
Contributions to UIF, Medical and Pension Funds	1 785	1 785
SDL & Bargain Council	12 145	9 044
Cell phone allowance	18 000	-
	1 219 215	**906 559**

The director was suspended with full pay as from January 2016 and was reinstated in June 2016.

Remuneration of Director Community Services

Annual Remuneration	743 058	637 730
Car Allowance	240 000	240 000
Performance Bonuses	-	204 227
Contributions to UIF, Medical and Pension Funds	1 917	1 917
Cell Phone Allowance	18 000	18 000
SDL & Bargaining Council	9 624	10 608
	1 012 599	**1 112 482**

Remuneration of Director Local Economic Development

Annual Remuneration	914 250	637 730
Car Allowance	240 000	240 000
Performance Bonuses	-	138 294
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Cell Phone Allowance	18 000	18 000
SDL & Bargain Council	9 972	9 190
	1 184 007	**1 044 999**

	2017 R	2016 R

30. Employee related costs (continued)

Remuneration of Chief Audit Executive

Annual Remuneration	863 058	757 730
Car Allowance	120 000	120 000
Performance Bonuses	-	130 052
Contributions to UIF, Medical and Pension Funds	1 785	1 785
SDL & Bargaining Council	9 863	10 105
Cell phone allowance	18 000	18 000
	1 012 706	**1 037 672**

Acting Municipal Manager

Annual Remuneration	1 065 915	439 996
Car Allowance	42 283	35 236
Contributions to UIF, Medical and Pension Funds	70 807	53 593
Cell phone allowance	3 300	2 750
SDL & Bargaining Council	11 082	4 767
	1 193 387	**536 342**

The acting Municipal Manager Mr T Phakalane was appointed in February 2016, after the Municipal Manager was suspended. The municipal manager resigned in March 2016. Mr O.A Monchusi was appointed on the 15th of December 2016 and subsequently resigned on the 14th of June 2017. Mrs MI Matthews was then appointed as the acting Municipal Manager on the 13th of July 2017.

Acting Chief Financial Officer

Annual Remuneration	546 252	294 764
Car Allowance	45 000	30 000
Contributions to UIF, Medical and Pension Funds	70 483	43 302
Cell phone allowance	3 300	2 200
SDL & Bargaining Council	5 730	3 199
	670 765	**373 465**

The acting CFO Mr Lekaba was appointed in February 2016 after the CFO was suspended the acting CFO was is in office until 31st December 2016 . Mr MK Kgokotli was appointed as acting CFO from 13 January 2017 to date,secondment from Provincial Treasury.

Acting Director Technical Services

Annual Remuneration	514 517	303 977
Car Allowance	45 000	30 000
Contributions to UIF, Medical and Pension Funds	87 212	54 454
Cell phone allowance	3 300	2 200
SDL & Bargaining Council	5 670	3 402
	655 699	**394 033**

The acting Director Technical Services was appointed in March 2016 after the Director was suspended. The Director Technical Services was reinstated in July 2016. However the Acting Director remained in office and received remuneration.

Acting Director Corporate Services

Annual Remuneration	491 762	435 714
Car Allowance	45 000	30 000
Performance Bonuses	-	34 855

Notes to the Annual Financial Statements

	2017 R	2016 R
30. Employee related costs (continued)		
Contributions to UIF, Medical and Pension Funds	56 614	51 083
Cell phone allowance	3 300	4 250
SDL & Bargaining Council	5 046	4 847
	601 722	**560 749**

Remuneration of Executive Manager

	2017 R	2016 R
Annual Remuneration	445 086	593 448
Travel Allowances	180 000	240 000
Performance bonus	115 665	-
Cell phone allowance	9 000	12 000
Contributions to UIF, Medical and Pension Funds, SDL & Bargaining Council	8 545	9 846
	758 296	**855 294**

Acting Remuneration of Executive Manager

	2017 R	2016 R
Annual Remuneration	490 209	527 235
Travel Allowances	41 460	37 500
Cell phone allowance	3 040	2 750
Contributions to UIF, Medical and Pension Funds, SDL & Bargaining Council	46 899	34 131
	581 608	**601 616**

Notes to the Annual Financial Statements

	2017 R	2016 R

31. General expenses

Advertising	138 134	88 274
Assets expensed	-	265 307
Auditors remuneration	3 547 464	3 384 466
Bank charges	1 072 378	1 214 259
Billing charges	228 573	246 787
Chemicals	18 600	79 828
Community development and training	964 414	1 798 005
Conferences and seminars	127 444	486 056
Consulting and professional fees	12 909 261	19 869 665
Consumables	286 483	1 085 967
Discount Allowed	521 624	1 310 743
Electricity	1 347 089	1 438 090
Employee awareness	29 934	33 700
Extended public works program	6 266 800	3 770 827
Fuel and oil	1 618 069	2 037 842
Funeral Costs	9 300	48 108
Hire	70 100	1 065 372
IT expenses	67 410	47 657
Indigent subsidy	2 249 845	2 240 551
Insurance	703 981	378 002
Inventory adjustment	146 418	677 327
Landfill site provision	(988 000)	1 302 000
Other expenses	1 281 722	2 124 767
Postage and courier	259 579	231 347
Printing and stationery	1 744 114	837 806
Refuse	88 687	119 554
Right of use - Water	74 086	398 393
Sitting allowance	2 409 536	3 283 465
Software expenses	345 046	819 412
Staff welfare	111 972	42 989
Store and materials	473 165	542 491
Subscriptions and membership fees	1 074 136	1 016 296
Telephone and fax	821 499	1 125 879
Training	7 729 928	8 498 823
Travel - local	1 447 147	1 065 537
Uniforms	-	758 516
	49 195 938	**63 734 108**

32. Finance costs

Other Interest	2 643 039	1 289 465
Trade and other payables	705 274	696 814
Post retirement interest cost	3 986 000	3 836 000
	7 334 313	**5 822 279**

33. Remuneration of councillors

Mayor	775 174	812 712
Speaker	617 852	646 590
Councillors	8 224 690	9 898 164
Officials in political office	1 610 769	195 647
	11 228 485	**11 553 113**

Notes to the Annual Financial Statements

	2017 R	2016 R

33. Remuneration of councillors (continued)

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial administration support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Mayor has one full-time bodyguard .

34. Fair value adjustments

Other financial assets		
• Listed Funds	8 521	122 580

35. Cash generated from operations

(Deficit) surplus	(10 196 444)	39 279 642
Adjustments for:		
Depreciation and amortisation	30 503 754	39 977 780
Gain (loss) on sale of assets and liabilities	588 847	(1 579 606)
Fair value adjustments	(8 349)	(122 580)
Impairment deficit	2 333 318	-
Debt impairment	4 854 706	4 555 567
Movements in retirement benefit assets and liabilities	2 832 000	4 819 000
Movements in provisions	(513 341)	2 183 427
Inventory adjustment	(146 418)	677 327
Other non-cash items	-	75 426
Changes in working capital:		
Inventories	(799 734)	(699 242)
Receivables from exchange transactions	225 634	(625 428)
Consumer debtors	(3 537 129)	(5 759 242)
Other receivables from non-exchange transactions	(5 144 612)	(4 664 256)
Payables from exchange transactions	14 943 356	(10 252 487)
VAT	(6 249 865)	206 925
Unspent conditional grants and receipts	426 906	(25 083 320)
Consumer deposits	182 978	319 020
	30 295 607	**43 307 953**

36. Auditors' remuneration

Fees	3 547 464	3 384 466

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	30 361 051	32 694 816
Total capital commitments		
Already contracted for but not provided for	30 361 051	32 694 816

This committed expenditure relates to projects and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Notes to the Annual Financial Statements

	2017 R	2016 R

38. Contingencies

38.1 Court Proceedings:

Municipality is being sued for some of the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities is uncertain. The amounts disclosed below are possible outflows amounts:

	2017 R	2016 R
Litigation and claims		
Malicious prosecution between Ramotshere Moiloa Local Municipality versus Martinus Venter	225 000	-
Labour case between Ramotshere Moiloa Local Municipality and NJ Motang	80 151	-
Review application between Ramotshere Moiloa Local Municipality and T Motlhamme	100 000	-
Accident damage of property by the employee of the council between Ramotshere Moiloa Local Municipality and C Lubbe	85 000	-
Court application between Ramotshere Moiloa Local Municipality and J Venter	300 000	-
Court matter between Ramotshere Moila Local Municipality and Raphunga	247 861	-
Alleged eviction of municipal employee-Martha Mareme by Ramotshere Moiloa Local Municipality and the eviction led to a loss of assets.	200 000	-
Labour court review application between Ramotshere Moiloa Local Municipality IMATU obo JH Engelbrecht	110 000	-
Labour court application between Ramotshere Moiloa Local Municipality and P Williams	50 000	-
Desciplinary Proceedings between Ramotshere Moiloa Local Municipality and S Sithole	50 000	-
Litigation claims	-	1 151 700
	1 448 012	**1 151 700**

39. Prior period errors

In terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors all prior period errors should be disclosed in accordance to the standards:

During the current period adjustments were processed for the previous financial periods. The overall difference for 2016 below reflects the adjustments only for 2016 after having adjusted for the 2015 errors.

1. During the 2014/2015 Financial Year, transaction were incorrectly processed to the creditors control account resulting in a net difference of R119 889 between the creditors age analysis and the control account. The error was corrected in the curreny year.

2. During the 2014/2015 financial year, bank interest received of R 7 386.37 was incoreectly allocated to a balance sheet account, and was reallocated to the correct vote in the current year.

3. Annual licence renewal fees of R 2 936 859.81 were incorrectly capitalised as intangible assets. The error was discovered in the current year and correted accordingly.

4. In the 2014/2015 financial year, VAT consultation fees of R 904 560.90 were incorrectly classified under the VAT returns vote instead of being expensed as professional fees.

5.In the 2014/2015 financial year, inventory was reclassified to investment property.

6. In the 2014/2015 financial year, there was a correction of investment property processed incorrectly.

7. In the 2014/2015 financial year, payables from exchange transaction was restated to correct incorrect processing.

8. During the fixed asset verification the property, plant and equipment was adjusted to agree to the fixed asset register.

The correction of the error(s) results in adjustments as follows:

Notes to the Annual Financial Statements

	2017 R	2016 R

39. Prior period errors (continued)

Effect of errors on Accumulated Surplus	**2017**	**2016**
Decrease in accumulated surplus due to error 1	-	(61 956)
Increase in accumulated surplus due to error 2	-	7 386
Decrease in accumulated surplus due to error 3	-	(2 936 860)
Decrease in accumulated surplus due to error 4	-	(904 561)
Decrease accumulated surplus due to error 5	-	13 092 002
Decrease in accumulated surplus due to error 6	-	(406 450)
Increase in accumulated surplus due to error 7	-	(32 791)
Increase in accumulated surplus due to error 8	-	1 009 549
Increase / (Decrease) in Accumulated Surplus	**-**	**9 766 319**

Effects of errors on Statement of financial position		
Increase in Trade Creditors due to error 1	-	119 889
Decrease in intangible assets due to error 3	-	(2 936 860)
	-	**(2 816 971)**

40. Risk management

Financial risk management

Council has overall responsibility for the establishment and oversight of the entity's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits

The municipality’s Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality’s reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Notes to the Annual Financial Statements

40. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

41. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

42. Unauthorised expenditure

Opening balance	128 481 935	90 954 904
Additions	2 038 640	37 527 031
	130 520 575	**128 481 935**

43. Fruitless and wasteful expenditure

Opening balance	4 530 260	3 034 946
Current year	4 236 113	1 495 314
	8 766 373	**4 530 260**

Fruitless and wasteful expenditure has been reported to Council and the matter is still under investigation by Sec 32 Committee. The information required per MFMA s125(2)(d)(i)-(iii) is not available.

The expenditure is caused by interest charged on overdue accounts of Eskom, Telkom and Auditor General South Africa.

A detailed breakdown of the fruitless and wasteful expenditure for the current year is disclosed in detail as below:

Auditor General - interest on overdue accounts	125 533	-
Eskom Bulk - Interest on overdue accounts	1 703 533	-
Eskom Other - Interest on overdue accounts	83 065	-
Eskom Waterworks - Interest on overdue accounts	210 858	-
Modibetsane DG - Acting allowance paid	198 111	-
SARS - Penalties and interest	506 248	-
Telkom South Africa - Interest on overdue accounts	13 802	-
Sebogodi GN - Salary paid while employee was on special leave	539 664	-
TMT Tiro - Salary paid while employee was on special leave	855 299	-
	4 236 113	**-**

44. Irregular expenditure

Opening balance	98 173 608	66 797 201
Add: Irregular Expenditure - current year	31 463 360	31 376 407
	129 636 968	**98 173 608**

Notes to the Annual Financial Statements

44. Irregular expenditure (continued)

Analysis of irregular expenditure - current year

Tenders/Qoutations not advrtised	2 375 695	5 574 802
Tenders with missing information	45 808	13 460 798
SCM procedures not followed	545 174	456 864
Three qoutes not obtained	143 033	-
Tax clearance not attached	-	102 914
Irregular Appointments	472 917	-
Expired contracts	8 851 902	1 655 852
Evaluation criteria was not consistent	5 474 688	-
Orders created after	19 500	36 200
Acting allowance	-	283 208
Different recommendation	5 571 460	6 950 997
Attorneys not on panel	-	2 854 772
Committee composition	2 703 554	-
Points for the BBBEE were incorrectly awarded	3 212 284	-
No concurrance from MEC	759 000	-
MPAC Administrator irregulary appointed	484 083	-
MPAC Manager was appointed irregulary	373 116	-
MPAC Researcher was appointed irregulary	252 153	-
Employees that have passed retired on payroll	178 993	-
	31 463 360	**31 376 407**

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 049 070	870 310
Amount paid - current year	(1 049 070)	(870 310)
	-	**-**

Audit fees

Opening balance	2 172 021	-
Current year subscription / fee	3 547 464	3 384 466
Amount paid - current year	(4 153 649)	(1 212 445)
	1 565 836	**2 172 021**

PAYE, SDL and UIF

Opening balance	1 307 921	-
Current year subscription / fee	18 635 942	17 164 532
Amount paid - current year	(17 012 229)	(15 856 611)
	2 931 634	**1 307 921**

Pension and Medical Aid Deductions

Opening balance	1 581 616	-
Current year subscription / fee	34 585 962	18 504 656
Amount paid - current year	(33 236 801)	(16 923 040)
	2 930 777	**1 581 616**

Notes to the Annual Financial Statements

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT payable	1 461 039	7 710 904

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements

46. Budget differences

Material differences between budget and actual amounts

Differences between budget and actual amounts basis of preparation and presentation

The amounts in the annual financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the annual financial statements for timing differences associated with the continuing appropriation and differences in the entities covered were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

46.1 The under collection in relation to service charges is a s result of low economic growth as well as increased unemployment. The drought that was experienced in the whole country, severely affected this municipality as it is largely rural. The debt collection system was also not operating at its optimum. The problem is worsened by the burning down of the pay-point and testing station during the community unrests..

46.2 The low economic growth and high unemployment rate contributed immensely in reducing the expected licences and permits fees. The drought that was experienced in the whole country, severely affected this municipality as it is largely rural

46.3 The low economic growth and high unemployment rate contributed immensely in reducing the expected other income. The drought that was experienced in the whole country, severely affected this municipality as it is largely rural

46.4. The estimated investments were more than expected, as a result of cash surpluses emanating from the grants and equitable share.

46.5. The under collection in relation to property rates is as a result of low economic growth as well as increased unemployment. The drought that was experienced in the whole country, severely affected this municipality as it is largely rural. The municipality is mainly dependent on government and farmers for property rates. The debt collection system was also not operating at its optimum.

46.6. The additional expected additional grants were not received as communicated to the municipality.

46.7. The revised budget was reduced too much as at the time of preparing the adjustment budget, not all fines were processed on the system, therefore the actual fines for the first six months of the financial year were understated.

46.8 The performance bonus of the director that was on suspension when they were due and payable, was only paid in the current financial year and it was not provided for.

46.9 Depreciation was over budgeted for, as a result of estimated acquisitions.

46.10. As a result of severe cash flow constraints the municipality was not able to pay all accounts when they became payable and due. The actuarial valuation of interest on employee benefits obligations was not budgeted for.

46.11 The debt impairment was under budgeted for. It increased as a result of decreased collections.

46.12 Due to severe cash flow constraints and its management some planned contractual commitments were postponed to the next financial year.

46.13 Other expenses were under budgeted for as a result incorrect information at the disposal at the time of preparing the budgets.

47. Service in kind

During the current year, the municipality received assistance from the North West Provincial Government - Treasury. This took the form of appointment of the Acting Chief Financial Officer, who assisted the municipality with the administrative roles performed by the Chief Financial Officer.

Notes to the Annual Financial Statements

48. Distribution Losses

Electricity Distribution Losses		
KWH	11 530 507	16 422 060
	-	-
Total loss	10 839 200	13 471 728
	-	-

The main reason for incurring electricity losses relates to heat dissipation when electricity flows through the conductors, illegal connections, meter tampering and incorrect metering. Cost per KWH R0.8 (2016: R0.8).

49. Deviations

Incidents		
Deviations less than 200 000	18 670	-
Deviations more than 200 000	1 101 550	-
Other	827 713	-
	1 947 933	**-**